

GAO

Report to the Chairman, Legislation and
National Security Subcommittee,
Committee on Government Operations,
House of Representatives

July 1993

STATE DEPARTMENT

Management Weaknesses at the U.S. Embassies in Panama, Barbados, and Grenada



**National Security and
International Affairs Division**

B-251252

July 9, 1993

The Honorable John Conyers, Jr.
Chairman, Legislation and National
Security Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

As part of our assessment of the Department of State's management of its overseas posts, which you requested in February 1992, we are reporting separately on posts where we identified significant management problems and issues. This is our second report on post-specific issues—our first report addressed management controls at the U.S. Embassy in Mexico City, Mexico.¹ This report discusses the management problems and issues affecting personal property accountability, financial controls, contracting and procurement systems, and other areas of management and administration at the U.S. Embassies in Panama, Barbados, and Grenada.

Results in Brief

The Embassies in Panama, Barbados, and Grenada have encountered a number of problems in maintaining adequate management control systems. For example, the Embassies in Panama and Grenada have had significant weaknesses in controls over personal property inventories, and all three Embassies have weak controls over cashiering and other financial operations. Other control weaknesses at one or more of the Embassies have included insufficient attention to requirements for competition in contracting; a lack of training for employees, in particular the foreign service national employees who have day-to-day administrative management responsibilities; either insufficient U.S. staff resources or significant gaps in filling authorized U.S. positions; and a lack of compliance with security standards established for unclassified automated information systems.

Numerous factors have contributed to these management control weaknesses. In some instances, Embassy officials failed to adequately follow State guidance and procedures for property, cashiering, procurement, and other management functions. In other cases, responsible officials were unaware of the management control

¹State Department: Management Weaknesses at the U.S. Embassy in Mexico City, Mexico (GAO/NSIAD-93-88, Feb 8, 1993).

requirements and in some situations inadequate control was attributed to the poor performance or lack of attention of prior officials. In addition, inaccurate post reporting on internal control systems has perpetuated some of the problems in management oversight. Embassy officials also believe staffing and budget limitations in recent years have directly contributed to management control weaknesses. We agree that staffing gaps, combined with limitations in resources for training, have affected management controls.

Embassy officials believed that they have made progress in improving management controls in a number of areas. Although several actions to improve management controls were underway or planned, the Embassies had no plans for a formal proactive program of management improvement and cost control.

Background

U.S.C., title 31, sec. 3512(c) and the Comptroller General's internal control standards require federal departments and agencies to maintain adequate control systems to reasonably ensure that (1) revenues and expenditures are documented and accounted for properly; (2) obligations and costs comply with applicable law; and (3) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Internal control standards require that all transactions concerning assets be clearly and promptly documented and that documentation be readily available for examination. Accountability for the custody and use of asset records is to be assigned, and the records are to be periodically reviewed based on the vulnerability of the assets. The standards also require supervision to ensure that the internal control objectives are achieved.

U.S.C., title 31, sec. 3512(c) also requires heads of federal agencies and departments to sign and submit a statement to the President and Congress as to whether their systems of internal controls are functioning properly. On the basis of an annual risk assessment using guidelines established by the Office of Management and Budget and control standards established by the Comptroller General, the chief of mission of each overseas post completes an annual statement of management controls to support the Secretary of State's overall statement. The assessments also facilitate State's oversight of management controls at overseas posts and are intended to provide a mechanism for management improvement by communicating the status of internal control systems at each Embassy.

Our past reviews, audits and inspections by State's Inspector General, and internal control assessments by the Department have identified significant and long-standing deficiencies in overseas Embassy management. These have included insufficient oversight and compliance with regulations for personal property management and procurement systems, the shortage of skilled overseas administrative staff and inadequate training of personnel; and numerous weaknesses in financial management systems, including inadequate controls over cashiering operations.

Personal Property Issues

Problems in personal property management² at the Embassies have included (1) lack of documentation that periodic inventory verifications and property utilization surveys had taken place, (2) inadequate separation of duties among property management employees, and (3) failure to fully document and follow property management procedures. Indicators of control problems have included (1) missing property in Panama worth more than \$32,000 in 1990, \$24,000 in 1991, and \$36,000 in 1992 and (2) locating \$164,000 worth of previously unrecorded property during the 1992 inventory reconciliation in Grenada. Records at the Embassy in Grenada also indicate that the post currently stores a number of items in excess of post needs and that the number of official vehicles is excessive.

Property losses in Barbados have been minimal in recent years. However, some control weaknesses are apparent, including inadequate separation of property management functions and inadequate accountability for health unit property.

Cashiering and Other Financial Controls

Financial control problems and issues have included (1) inadequate control over cashier receipt forms and failure to properly verify cashier accounts, (2) inadequate documentation of consular collections of between \$34,000 and \$50,000 a month in Panama and about \$80,000 a month in Barbados, and (3) weaknesses in systems to ensure timely collection of accounts receivable and timely liquidation of obligated funds. Indicators of financial control problems have included the theft of \$45,000 from the Embassy in Grenada and the lack of timely reviews of unliquidated obligations more than 2 years old, totaling about \$86,000 and \$41,000 in Grenada and Panama, respectively. Such obligations should be adequately monitored to ensure their continued validity and potential availability to offset other budget needs.

²Personal property includes furniture, equipment, supplies, appliances, and machinery and refers to all property not otherwise classified as land, land improvement, buildings, and structures, which are referred to as real property.

Contracting and Procurement

Each Embassy had weaknesses in its procurement systems. Competition advocacy programs did not sufficiently encourage competition in the award of contracts, and none of the Embassies had consistently promoted the use of advance acquisition planning. As a result, procedures and policies established by State to maximize competition were not adequately followed and procurements were often not sufficiently competed or documented³ concerning the reasons for limited competition. The Embassies in Panama and Barbados had also not implemented State's automated worldwide procurement data base system, which was developed by State to enhance the Department's ability to meet government reporting requirements. In Panama, the software for the system had been misplaced and in Barbados, the software was defective.

Training, Staffing, and Other Management Issues

Officials at the Embassies in Panama and Barbados considered the amount of formal training provided foreign service national employees as insufficient in several functional areas and as contributing to weaknesses in post management systems. For example, the general services assistant in Grenada, who has had numerous administrative responsibilities for over 6 years, including contracting and procurement, had not received any general services training. Officials in Grenada also believed that the limited number of U.S. staff at the post had directly contributed to difficulties in management oversight. Staffing gaps in key U.S. management positions have been identified by the Embassies in Panama and Barbados as having hindered administrative and management functions.

Other management problems and issues included the failure of the Embassy in Panama to formally certify the continuing need for personal services contractors prior to contract extension. Also, systems for ensuring the security of unclassified automated information systems had inadequacies. For example, the Embassies in Grenada and Barbados had not designated a U.S. information system security officer to be responsible for ensuring the security of the posts' automated unclassified information systems. This State standard for control has existed since 1985.

Inaccurate reporting by the Embassies on their internal control and management systems has also perpetuated some of these problem areas. For example, statements by the Embassy in Panama that past irregularities in the cashiering function had been corrected were not completely factual.

³It is State policy that for contracts exceeding \$25,000, waivers must be obtained for any contract not advertised in the Commerce Business Daily. If the contract is not advertised locally, a justification for other than full and open competition must be prepared.

Similarly, the Embassy in Barbados inaccurately reported on the status of its property management controls and the extent its procurement files reflect competitive practices.

Embassy Actions

Officials currently assigned to these Embassies are committed to improving post management. They agree that corrective actions are needed to strengthen management systems, and they had taken, or had plans to take, actions in many areas. These actions varied by post and include implementing automated property and procurement information systems and procedures to ensure control over cashier receipt forms, conducting periodic property inventory spot checks and verifications of cashier accounts, strengthening competition advocacy programs, and improving documentation of procurement files. However, the Embassies did not have plans to adopt a formal proactive program of management improvement and cost control. We believe such a program would (1) systematically focus senior management's attention on problems and issues and (2) provide a basis for continuity as foreign service officers rotate to other posts and are replaced by new officers.

Recommendation

To build on current Embassy initiatives and ensure continuous attention to correcting management deficiencies and improving management processes, we recommend that the Secretary of State direct the Chiefs of Mission at the U.S. Embassies in Panama, Barbados, and Grenada to establish a formal, proactive system for management improvement and cost control. The system should be under the direction of the deputy chief of mission or another senior post official and provide for periodic post assessments of management processes, including the

- personal property systems to ensure inventory losses are minimized and key controls are in place and functioning;
- cashiering operations, for example, documentation and oversight of cashier receipt forms and procedures to ensure proper verification of accounts;
- status of unliquidated obligations to ensure timely and prompt financial action;
- competition advocacy program to ensure contracting and procurement actions are in full compliance with applicable laws and regulations governing competition;
- internal control assessment and reporting systems to ensure that embassy responses accurately reflect the status of management controls; and

- personnel systems to address the training needs of foreign service national employees and continuing need for personal services contractors.

The systems for management improvement should also include annual post reports on the status of management processes and action plans for improvements where deficiencies are identified.

Agency Comments and Our Evaluation

As requested, we did not obtain fully coordinated State Department comments on this report. However, we provided a draft of this report to officials at the three Embassies and State's offices in headquarters that are responsible for administrative, training, and management issues. Their comments were incorporated where appropriate.

Officials at the three Embassies believed that our report did not give enough credit for the administrative and management systems that are working well. They identified a number of actions to improve management. The comments from each Embassy are discussed in appendixes I, II, and III.

Officials in the Bureau of Administration said that (1) many of the personal property problems had been identified during reviews conducted by State's Property Management Branch in the last few years and (2) subsequent reports submitted by the posts to State had indicated that most of the deficiencies have been corrected. Our work also indicates that several corrective actions have been taken or are planned to improve personal property management, but we believe a formal proactive program of improvement is necessary to sustain such actions. Officials in the Office of the Procurement Executive believed that inadequate training of foreign service national personnel is a serious problem facing State. They said that (1) the lack of training has been identified as an issue in practically every inspection report addressing overseas administrative operations; (2) State has developed some training programs in the procurement area, but they are ad hoc due to limited funding; and (3) State faces the same problem in virtually every field where foreign service nationals are employed. They added that foreign service nationals are the backbone of administrative operations overseas and that the lack of appropriate training could result in a waste of these assets.

Officials in the Foreign Service Institute said that training for both U.S. and foreign service national personnel is not always sufficient for them to perform their responsibilities. They also cited the lack of funding and

personnel resources as the major obstacle to meeting the training needs of State's employees.

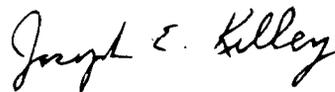
Scope and Methodology

We interviewed program officials and reviewed program documents, budget support data, and action plans at the U.S. Embassies in Panama City, Panama; Bridgetown, Barbados; and St. George's, Grenada. We also (1) discussed post management issues with officials in State's Bureaus of Finance and Management Policy, Administration, and Inter-American Affairs and (2) reviewed the results of prior external and internal audits, inspections, and annual assessment submissions from the Embassies. We performed our review between October 1992 and December 1992 in accordance with generally accepted government auditing standards. Details on the status of management problems and issues at the Embassies in Panama, Barbados, and Grenada are in appendixes I, II, and III, respectively.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from its issue date. At that time we will send copies to appropriate congressional committees, the Secretary of State, and other interested parties.

Please contact me at (202) 512-4128 if you or your staff have any questions concerning this report. The major contributors to this report are listed in appendix IV.

Sincerely yours,



Joseph E. Kelley
Director-In-Charge
International Affairs Issues

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U.S. Embassy in Panama

We found that the U.S. Embassy in Panama City, Panama, has had weaknesses in its management controls for a number of years. Management problems have affected personal property, financial operations, and contracting and procurement. Deficiencies in staffing and training, real property management, and security for unclassified automated information systems have also affected the efficiency of operations. Some of these problems and deficiencies were not accurately reported through internal control review mechanisms established by the Department of State. As a result, senior management attention has not sufficiently focused on recurring management deficiencies that unnecessarily expose U.S. property and funds to fraud, waste, and abuse.

Some of the difficulties in establishing management controls in previous years may be attributed to disruptions in post activities resulting from the U.S. invasion of Panama in 1989. Inadequate performance of certain U.S. officers who had administrative and management responsibilities at the Embassy in the late 1980s to early 1990s also were identified by current Embassy officials as a factor. Although progress has been made in improving management of post resources in recent years, current Embassy officials agree that corrective actions are still needed in a number of areas and they plan to institute procedures to address the problems and issues we identified.

Embassy Operations

The U.S. Embassy in Panama implements U.S. foreign policy objectives, provides consular services, and supports other U.S. agency programs in the country. Senior officers having management oversight and administrative responsibilities include the Ambassador, the deputy chief of mission, the administrative officer, the general services officer, the budget and management officer, and the personnel officer. The budget and management section is responsible for financial operations, including the internal controls over cashier operations for the class B cashier¹ and subcashier. The general services office manages personal and real property and is responsible for procurement activities.

The fiscal year 1992 budget for salaries, expenses, and administrative support costs was about \$4 million. During 1992, the Embassy employed 120 U.S. and foreign service national personnel and had personal services contracts with over 50 foreign nationals to execute a variety of support and administrative functions. The value of the personal property inventory totaled about \$2.8 million in fiscal year 1992. The amount of supplies,

¹The class B cashier is personally responsible for the cash advanced from State.

equipment, and services procured during the first three quarters of fiscal year 1992 totaled about \$2 million.

Personal Property

Management and controls of personal property are weak in several areas. For example, the general services office did not formally conduct quarterly spot checks and verifications of the accuracy of personal property records, which is one of State's internal control standards. State also requires that embassies certify that (1) periodic utilization surveys of embassy property are conducted to ensure appropriate use of property and to identify unneeded property and (2) adequate separation of duties exists in property management. However, the general services office had not conducted such surveys or maintained an appropriate separation of duties among personal property management employees. Post officials said that problems in maintaining a separation of duties was due to staffing limitations. The same employee was responsible for storing and issuing expendable property² and maintaining property records. In addition, the nonexpendable³ inventory clerk was responsible for transferring receiving information to inventory records, maintaining the inventory records, assisting in conducting inventories, preparing property disposal and transfer documents, and removing items from the inventory system.

The Embassy had also not fully implemented State's automated nonexpendable property system, which was established several years ago to improve oversight and control. According to the acting general services officer, the post has tried unsuccessfully since 1987 to implement the system, and as a result, the general services office maintained a manual inventory system. Implementation of the system was delayed by the political situation in the country in 1989 and the post's inability to fund the hardware required to link the warehouse and the computer system. At the time of our review, the general services office was completing data entry of all personal property into the automated system. According to the acting general services officer, the Embassy received an extension for reporting the results of the 1992 inventory until early 1993, when the automated system was fully implemented.

²Expendable personal property is property that, put in use, is consumed, loses its identity, or becomes an integral part of another item of property. Examples are office supplies and automobile tires.

³Nonexpendable property is property that (1) is complete in itself, (2) does not lose its identity or become part of another item when used, and (3) is of a durable nature and has an estimated useful life over 2 years. Examples include furniture, equipment, and machinery.

Other property control issues included (1) written operating procedures for receipt and inspection or transfer of personal property, as prescribed in the Foreign Affairs Manual,⁴ had not been prepared; (2) inventories of expendable medical supplies were conducted by the nurse rather than by the general services officer;⁵ and (3) nonexpendable medical equipment was not accounted for in the nonexpendable property system. In response to the issues identified in our review, the acting general services officer agreed that problems have existed in many areas of property records and control. He believes that implementation of State's automated nonexpendable inventory property system will help substantially. Post officials said that since our visit, one formal periodic utilization survey has been conducted, indicating that all property was used efficiently and effectively. Written instructions that outline proper procedures for receipt and inspection of property have also been provided to warehouse personnel, duties of property management personnel have been reorganized, and a new foreign service national staff member has been hired to assist in property management at the warehouse. Post officials also said that they planned to record medical property in the inventory system by August 1993.

State documents indicate that the Department has conducted two reviews of the post's property systems. A 1987 review by the Property Management Branch identified serious problems, including a failure of the post to conduct inventories and submission of unacceptable inventory certifications. In June 1992, State's Property Management Branch again reviewed the property management system. The review team indicated that substantial progress had been made but recommended improvements in several areas, including documenting findings of periodic utilization surveys, separating some property management functions to ensure the adequacy of internal controls, and emphasizing implementation of State's automated nonexpendable property management system.

Missing Property

Historically, weaknesses in property controls and record keeping and the lack of an automated inventory system have contributed to problems in inventory control. For example, about \$74,000 of property was located during the 1991 inventory that had not been recorded in the manual record

⁴Such procedures are necessary to ensure that property is inspected promptly as to condition, quantity, and quality and that acquisitions are in accordance with terms and specifications of the procurement document.

⁵According to State guidance, general services officers are the accountable property officers for nonprescriptive drugs and medical supplies and nonexpendable property located in the health unit.

system. In addition, property valued at about \$24,200 was not located during the 1991 annual inventory and approximately \$36,000 in shortages was identified during the 1992 inventory.

Embassy records for the 1990 inventory were incomplete. For example, we found no evidence that a property disposal authorization and survey report was prepared to document losses, although available inventory documents indicated that the value of missing property items was significant, totaling more than \$32,000. Examples of missing items included safes worth \$6,100 and air conditioning units worth more than \$10,000. According to State regulations, if property losses exceed 1 percent of the total inventory value, a property disposal authorization should be submitted to the post's Property Survey Board for adjudication. If the value of the 1991 inventory is used for comparison, then Embassy officials should have documented and reported the 1990 inventory losses to the Property Survey Board.

Annual inventory documents were also incomplete for 1989, and some fraudulent activity was evident. According to post officials, missing property was identified as being in the custody of U.S. officials who had left the Embassy for new assignments. For example, \$8,000 worth of computer equipment was missing from a previous administrative counselor's residence, and dining room furniture and other items worth about \$3,100 were listed as missing from a previous assistant general services officer's residence at the post. Post documents indicated that the assistant general services officer's residence in the United States was subsequently entered into under warrant and the missing items were found. According to officials in State's Office of the Inspector General, both cases were investigated, the property was recovered, and the employees were disciplined.

Post officials believe that the amount of unaccounted property at the Embassy should be reduced with implementation of the computerized nonexpendable property system and tightening of controls over property receiving and issuance.

Financial Controls

Controls over the Embassy's financial operations have also had deficiencies, such as inadequate documentation and verification of cashier accounts and insufficient controls over accounts receivable and unliquidated obligations. The budget and management officer took steps to improve controls over the cashing function shortly after his arrival at

the Embassy, a few weeks before our review. He planned to further improve financial controls in response to the issues we identified.

Cashier Controls

According to State guidance, the cashier's supervisor is responsible for controlling official receipt forms⁶ and verifying that they are used in sequence. By controlling and tracking these forms, a post can verify that all monies received are deposited. However, for a 1-year period ending October 1992, the class B cashier at the Embassy used unofficial receipt forms that he printed out as needed. Also, the cashier, not his supervisor, had control over the receipt forms, further increasing the vulnerability of cashier operations. Moreover, the supervisor had not adequately documented in the control log the distribution of receipt forms to the cashier between May 1991 and October 1992, and all Embassy collections were not properly recorded on separate forms to serve as a receipt and ensure accountability. The budget and management officer had arrived at the post about 3 weeks prior to our visit and said that many of these problems were inherited from prior Embassy officers. The Embassy is now using official receipt forms that are under his control, and he has prepared instructions for the cashier to issue separate, official receipts for individual transactions.

In addition, the accountable consular officer was unable to document required quarterly unannounced verifications of subcashier accounts and said he was also unaware of State's requirement to prepare monthly Certification of Record of Fees⁷ reports to document consular collections. He estimated that consular collections amounted to between \$34,000 and \$50,000 a month. Subsequent to our fieldwork, the budget and management officer issued instructions to the accountable consular officer to conduct unannounced cashier verifications and provide copies of the Record of Fees report.

Controls Over Accounts Receivable and Unliquidated Obligations

Although the Embassy had a manual system to record its accounts receivable, the Embassy had not effectively implemented collection procedures. As a result, some reimbursements were long overdue. Over \$16,000 from April 1991 was owed for prepaid rents on canceled leases, and Embassy employees owed \$1,945 and \$2,825 worth of reimbursements

⁶OF-158 General Receipt forms are accountable forms used to record collections.

⁷These reports are used to reconcile collections reported with those actually processed by the U.S. disbursing officer. They are also important for cashier verifications.

for medical expenses paid by the government⁸ from November 1990 and September 1991, respectively. For the first medical expense account, Embassy documents indicated that its collection efforts were only on a quarterly basis and that the employee owing money disregarded collection efforts by the post for nearly one year. In response to the issues we identified, the budget and management officer said that he had revised collection procedures to provide for monthly reporting and aggressive follow up on all uncollected accounts.

Questionnaires used in State's internal control risk assessment process identify unliquidated obligations more than 2 years old as an indicator of possible financial control weaknesses. In addition, a report by State's Inspector General has cited overseas posts for not adequately monitoring the status of unliquidated obligations and for not documenting their reviews of obligation reports.⁹ The Embassy's responses to the 1992 risk assessment questionnaire indicated that the post did not have any unliquidated obligations more than 2 years old. However, according to the budget and management officer, about \$41,100 of the Embassy's fiscal year 1990 funds remained unliquidated. Post officials said that the answer to the question was an error that was made because the acting budget and fiscal officer was not familiar with the post's prior unliquidated obligations. After our review, the budget and management office reviewed the 1990 unliquidated obligations and determined that bills were pending for these obligations. According to the budget and management officer, unliquidated obligations are now being reviewed monthly to determine if they should be deobligated.

Another issue affecting Embassy operations concerns the adequacy of State's financial management systems. According to post officials, the Embassy has had problems with the quality of financial management services provided by the Regional Administrative Management Center in Mexico City, Mexico. According to post officials, problems have included (1) the lack of timely payroll changes and adjustments and (2) frequent errors in accounting and disbursing data. Embassy officials believed that part of this problem can be attributed to the difficulties experienced in the conversion of financial operations to a new system. Officials in State's Bureau of Finance and Management Policy believed that criticism of only the regional center for problems in payroll changes and adjustments can

⁸We reported on the deficiencies in State's system for collecting reimbursable medical expenses in State Department: Need to Ensure Recovery of Overseas Medical Expenses (GAO/NSIAD-92-277, Aug. 7, 1992).

⁹Management of the Obligation and Liquidation Process, 2-FM-026, September 1992.

be very misleading. According to these officials, State's Foreign Service National Personnel office and the post are also in the payroll equation and both typically take the most time in the payroll change process. These officials agreed that frequent errors in accounting and disbursing data occurred, but believed these were largely created at the posts.

Contracting and Procurement

Controls instituted by State to ensure competition and compliance with applicable regulations had not been fully implemented. For example, the Embassy had not, through its competition advocacy program,¹⁰ (1) effectively promoted and encouraged full and open competition in the solicitation and award of contracts; (2) properly prepared waivers or justifications for other than full and open competition, respectively, when contracts were not advertised in the Commerce Business Daily or locally; or (3) promoted the use of advance acquisition planning. State's Office of the Procurement Executive established the competition advocacy program to promote full and open competition in contracting for goods and services, encourage acquisition planning, and provide a formal mechanism for the review and approval of post justifications for restricted competition.

The Embassy had also not implemented State's automated worldwide procurement data base system. State distributed the software program to its overseas posts in December 1991 in response to legislative requirements.¹¹ According to the general services officer, the software for the system was misplaced. As a result, the responsible general services employee documented procurements manually on the reporting forms developed for State's automated system. During our visit, the general services office received a second copy of the software, and the post is currently using part of the application. However, post officials believe that State's automated system has limited value for overseas operations, thus the manual system of reporting is still being used in tandem with the automated system.

¹⁰All administrative officers were notified of the program in 1988 in Department Procurement Information Bulletin No. 88.02.

¹¹The Office of Federal Procurement Policy Act, as amended, 41 U.S.C. 401, 417, requires that procurement data be collected and reported to the Federal Procurement Data System. In January 1990, State decided to develop an automated procurement information system to meet legal requirements, provide periodic and ad hoc status reports, and establish reporting criteria. The data base is necessary to provide information on contracts and contract modifications, including actions over \$100,000 for compliance review purposes.

Due in part to the lack of an effective competition advocacy program, many of the Embassy's contracts and procurements were not sufficiently advertised or files adequately documented. If a contract exceeding \$25,000 is not advertised in the Commerce Business Daily, it is State's policy that a formal written waiver be prepared. If a contract for \$25,000 or more is not advertised locally, a justification for other than full and open competition must be prepared and a copy placed in the contract file. For 13 contracts exceeding \$25,000 awarded in fiscal years 1991 and 1992 that we reviewed, information available in the contract files did not indicate the use of fully competitive procedures. Files for locally awarded contracts did not include documentation of advertising and only one of the contract files included the required justification. Only three files contained evidence of the required waiver, and two of the three waivers were documented after the procurements were completed. Files indicated that only a limited number of sources were solicited.

In addition, none of the files for procurements over \$25,000 in 1991 or 1992 contained an advance acquisition planning document, which is required by State's regulations to promote competition and efficient procurement actions. The Federal Acquisition Regulation also requires that public notice of pending procurements between \$10,000 and \$25,000 be provided and that contracts be formally closed.¹² Our review of the Embassy's contracting and procurement system indicated that these procedures were not followed for all procurements. At the time of our fieldwork, the acting general services officer said that actions would be taken to strengthen competitive practices and file documentation, including preparing a written policy for local advertising, providing for public notice of procurements in the future, closing out contract files using a standard format, and preparing required waivers when contracts are not advertised in the Commerce Business Daily. However, post officials also commented that full implementation of State controls to ensure competition and compliance with applicable regulations would be difficult because of the work load at the Embassy. They said the work load has increased as much as 40 percent since our fieldwork, due in part to the requirements for procurement support of another agency.

Other Problems and Issues

Other management problems and issues have also affected the efficiency of operations, including some inaccuracies in reports on internal controls and property management conditions, staffing gaps in key management

¹²Closeout procedures are designed to ensure that, among other things, all contract work is performed and goods are delivered, final invoices are submitted, and any excess funds are de-obligated.

positions, and a lack of formal training programs. Also, the Embassy had not fully implemented State's standards to ensure the security over unclassified automated information management systems. Such security is important to protecting proprietary information and protecting funds, supplies, and materials from fraud, waste, misappropriation, or misuse.

Inaccurate Reporting

According to Embassy officials, the internal risk assessment process, the annual reporting of the sufficiency of internal controls, and the property inventory certifications are primary systems for measuring the quality of management oversight. However, Embassy assessments and reports on the status of internal controls over financial operations, property management, and contracts and procurements have contained what appear to be overly optimistic and sometimes inaccurate assessments of conditions.

For example, cashiering deficiencies identified by State's Inspector General in 1991 have not been sufficiently addressed in the Embassy's communications with State. Examples of the reported deficiencies¹³ included failures to (1) maintain and organize proper cashier files and documentation, (2) use and retain all cashier forms, and (3) perform appropriately scheduled unannounced verifications of subcashier accounts. In April 1991, the Embassy cabled State and indicated that steps had been taken to ensure that the cashier function complied with applicable regulations and procedures, and in October 1992, the Embassy indicated in its internal control assessment that irregularities in the cashier function cited in previous audits had been corrected. However, we found that deficiencies, such as the failure to document verifications of subcashier accounts, still continued.

The Embassy's 1992 risk assessment and 1991 property management report also contained some inaccurate information on the status of property management control systems. The assessment inaccurately stated that spot checks and quarterly verifications of inventory property records were made and the report stated that periodic utilization surveys had been conducted and separation of duties in property management was appropriate. The Embassy's certification to State on the status of its 1990 and 1989 inventories also appeared to have some inaccuracies and the file documentation supporting the certification was incomplete. The certification stated that inventories had been conducted and reconciled, although we found no documentation of an inventory in 1989 and

¹³Report of Inspection, Embassy Panama City, Panama (State ISP-1-91-23, Feb. 1991).

documentation of the inventory in 1990 was incomplete. For example, we found no documentation of the total value of the inventory for 1990 and no shortages or overages were documented. The administrative officer said that it was likely that no inventory was taken in 1989 due to the temporary drawdown of Embassy staff.

In addition, although many of the Embassy's contracts and procurements were not fully advertised or adequately documented in the files when limited competition procedures were used, Embassy officials indicated in the 1992 internal control assessment that contract files reflected maximum competition.

Staffing and Training

Gaps in staffing key administrative management positions have been identified by post officials as contributing to the weaknesses in management control. For example, during 1992, the budget and management officer position was vacant for 3 months, the personnel officer position was vacant for 3 months, and the assistant general services officer position was vacant for 1-1/2 months. At the time of our review, the supervisory general services officer position had been vacant for more than 4 months, no replacement had been identified, and a gap of 1 year was anticipated. According to Embassy officials, staffing gaps have had several negative impacts on operations, including (1) staff assuming responsibilities for which they are not experienced and (2) some critical tasks or duties being neglected, delayed, or deferred.

The lack of formal training has also been identified by post officials as contributing to weaknesses in management control. Although the Embassy has provided training for employees and tracked their participation in training, post officials believed that the amount of formal training provided foreign service national employees was deficient in a number of areas, including personal property management, facilities maintenance, and real property management. According to the administrative officer, training for U.S. employees is controlled by career development officers at State, not by the Embassy. However, post officials believed that State's attention to staffing and training issues has generally been inadequate. The personnel officer noted that because most personnel rotate during the summer months, vacancies are typical during June-August. She also believed that U.S. personnel had received insufficient supervisory training considered critical to motivating the work force and communicating work requirements across cultural boundaries.

Embassy supervisors also had not provided written certifications of the continuing need for personal services contract employees as required by State's handbook on personal services contracts with foreign nationals. The administrative officer said that he personally reviewed all of the contracts but did not document his review, nor did he prepare written statements certifying that the services of each contractor were necessary for each year a contract was extended. In response to our findings, the new personnel officer said that she had implemented a system for the certification of continuing need for personal services contract employees shortly after our visit.

Security of Automated Unclassified Information Systems

In January 1991, the Embassy designated an information system security officer, in compliance with State's policy. However, the Embassy has not established a comprehensive system to conduct annual security reviews of unclassified automated information processing systems, which are considered important for securing proprietary information and protecting Embassy resources such as funds, supplies, and materials from waste, fraud, and abuse. State's Office of Information Systems Security performed a computer security evaluation at the post and reported in July 1990. The post responded to State's Annual Systems Security Status Report request in July 1992. However, a survey was not performed in 1991. The Embassy's information system security officer said he did not conduct the survey in 1991 because State did not issue specific instructions to do so but that he did conduct an informal survey of unclassified system security monthly. At the time of our review, he planned to implement a security program more consistent with State's standards.

Embassy Comments and Our Evaluation

Officials in Panama believed that our report focused too much on selected deficiencies and did not adequately recognize efficiencies. For example, they believed that the post has an excellent system for managing the exchange of information within each working section and the Ambassador's office during weekly staff meetings. These officials also said that our report did not give sufficient attention to funding constraints and the loss of 19 foreign national personal services contract positions in the administrative area.

These officials believed that to improve overseas operations, State needs to better prioritize its goals and objectives for overseas operations, allocate resources consistent with those goals and objectives, determine mission work plans based on resources available to each post and focus

on what is important, establish a simplified system for overseas procurement and other administrative operations, and justify staffing based on work load factors and support requirements. We agree that State needs to ensure that the allocation of staff and other resources overseas is based on an efficient process. We also believe that a proactive program of management improvement at the Embassy would help achieve that goal by (1) identifying problem areas that reduce the efficiency of operations on an ongoing rather than an exception basis, (2) prioritizing management improvement objectives, and (3) allocating resources to meet them.

U.S. Embassy in Barbados

The most significant management problem affecting operations at the U.S. Embassy in Bridgetown, Barbados, has been inadequate oversight of cashiering and other financial operations. Other areas with problems or weaknesses include personal property and contracting and procurement. In addition, the Embassy has, in some instances, overstated the extent of its management controls through internal control review mechanisms established by State.

Embassy Operations

The Embassy implements U.S. foreign policy objectives, provides consular services, and supports other U.S. agency programs in Barbados and other islands in the Eastern Caribbean. As of September 30, 1992, the Embassy employed 73 U.S. and foreign service national personnel and had personal services contracts with 16 foreign nationals for a variety of support and administrative functions. The Embassy's fiscal year 1992 budget for salaries and expenses was about \$1.6 million. Inventories of nonexpendable personal property managed by the Embassy totaled about \$1 million in fiscal year 1992, and expendable property inventory totaled about \$76,000 at the end of fiscal year 1992.

Senior Embassy officers having management and administrative responsibilities include the Ambassador, the deputy chief of mission, the administrative officer, the general services officer, and the budget and fiscal officer. The budget and fiscal office is responsible for (1) maintaining controls over financial operations and (2) preparing budgetary and financial reports. The general services office is responsible for procurement activities and management of personal and real property assets. The administrative officer provides oversight to all administrative functions.

Financial Controls

Controls over the Embassy's financial operations had significant weaknesses. For example, cashier verifications¹ of the class B cashier and the consulate subcashier's accounts were not conducted in accordance with State guidance. In fiscal year 1992, the cashier supervisor conducted only 5 of 12 required cashier verifications, although a previous budget and fiscal officer had identified the lack of regular verifications as a deficiency in 1990 and developed a corrective action plan to conduct regular verifications. According to Embassy officials, these verifications were not done because the post did not have a budget and fiscal officer for

¹Unannounced verifications are to be performed monthly for all class B cashiers regardless of the amount of advance, monthly for subcashiers if the advance equals or exceeds \$1,000, or quarterly if the subcashier's advance is less than \$1,000.

6 or 7 months in 1992. However, we do not believe this relieves the administrative officer or some other responsible official from performing this function. In addition, there was no record of verifications for the consular subcashier's account since 1987, although monthly consular fee collections have averaged about \$80,000.

The cashier's supervisor also did not maintain control of accountable receipt forms in accordance with State guidance, which states that the cashier's supervisor is to maintain a control log recording sequential form numbers and issue dates. The log had weaknesses in accountability because the sequence of form control numbers was frequently broken and issue dates were not chronological. In addition, the log was maintained by the general services officer rather than the cashier's supervisor. As a result, the log permitted only limited control over receipt forms. In response to our findings, the budget and fiscal officer assumed responsibilities for the receipt forms and control log.

Based on an October 1992 internal control risk assessment, State's Bureau of Finance and Management Policy recommended that the Embassy give priority to strengthening management controls over cashing. Factors leading to the Bureau's recommendation included the following.

- Temporary cash advances were not settled by the close of the next business day.
- The size of all cashier advances was not reviewed annually.
- The supervisor for the class B cashier did not control, account for, and distribute the prenumbered receipt forms at least monthly.
- The supervisor for the class B cashier also did not reconcile receipt forms at least monthly.

Although State's internal risk assessment questionnaire identifies unliquidated obligations more than 2 years old as a potential financial control weakness, the Embassy did not document its review of outstanding unliquidated obligations. At the time of our fieldwork, the Embassy had \$69,559 in unliquidated obligations over 2 years old. A foreign service national employee said that he reviewed the accounts periodically but could not document his reviews. A previous budget and fiscal officer identified old unliquidated obligations as a control weakness in 1990 and developed a corrective action plan to conduct regular reviews and deobligate, liquidate, or fully justify continuing obligations. However, the Embassy's 1992 risk assessment indicated that control weaknesses have persisted. The current budget and fiscal officer agreed that

unliquidated obligations should be reviewed more closely and has prepared another corrective action plan.

Embassy officials also said that State's Regional Administrative Management Center in Mexico City, Mexico, does not adequately support embassy operations. In particular, post officials characterized the financial management systems supporting post operations as cumbersome, complicated, untimely, and generally unable to be used as a financial management tool. Post officials described the systems as being solely for recording financial transactions. Historically, State has focused on developing financial systems to satisfy fund control requirements rather than to provide information needed to manage operations. Furthermore, State's overseas financial systems do not provide a general ledger, which is necessary to control transactions and facilitate the preparation of reliable financial statements.

Personal Property

A 1990 review of personal property management procedures by a representative of State's Property Management Branch identified a number of problem areas, including (1) the lack of written standard operating procedures for key property management functions, (2) inadequate separation of some property management duties, and (3) the lack of an effective expendable property inventory management system. Although the Embassy reported no shortages in nonexpendable inventories in fiscal years 1991 and 1992, some problems still exist in property management controls. Specifically, inadequate separation of duties among property management employees remains an issue. Employee position descriptions indicated that one person was responsible for receiving property, maintaining warehouse supply records, and arranging for distribution of property, while another employee was responsible for preparing and maintaining supply records and conducting inventories. The 1990 review of property management at the post by State's Property Management Branch noted that at a minimum, individuals charged with maintaining property records should not physically handle the stock.

According to State's Foreign Affairs Manual, if property management duties cannot be appropriately separated, an embassy should conduct and document management reviews at least twice a year to improve controls. However, Embassy officials were unable to provide documentation of such reviews. Further, although State's internal control measures indicate that spot checks of inventory records should be conducted at least quarterly, no documentation was available to provide evidence that the

checks had been performed. After our fieldwork, the general services officer said he would maintain a written record of all spot checks on inventories.

There were other problems with personal property inventory controls. For example, the general services office was not involved in inventory management at the health unit, even though State's guidance designates the general services officer as accountable property officer for nonprescriptive drugs, medical supplies, and nonexpendable property in the health unit. In addition, some nonexpendable medical items (such as an electrocardiograph machine, an X-ray illuminator, and a microscope) were not accounted for in the inventory system. The Embassy also maintained two separate inventories of automated data processing equipment, the official State Department property listing in the automated nonexpendable property system and one developed and maintained separately by a foreign service national systems specialist. The two lists were not reconciled by inventory officials. According to Embassy officials, both lists are now reconciled and all nonexpendable medical equipment has been entered into State's automated nonexpendable property system.

Contracting and Procurement

Controls intended to ensure competition and compliance with applicable procurement regulations and procedures had not been fully implemented. For example, in a sample of 10 procurements between \$2,500 and \$25,000, half of the contract files did not contain evidence that at least three sources were solicited as suggested by the Federal Acquisition Regulation. The Embassy had 350 contract actions under \$25,000 in fiscal year 1992, totaling about \$484,000. The post also did not have a competition advocacy program and post officials were unaware of the responsibilities of a competition advocate. In addition, at the time of our review, the Embassy had not (1) established written procedures for advertising local procurement actions or (2) implemented contract closeout procedures to ensure that all contract work is performed and goods are delivered, the contractor's final invoice is submitted, and any excess funds are deobligated. A 1991 State Inspector General audit of the overseas procurement system criticized overseas posts for not developing or implementing procedures for publicly displaying contract actions or implementing competition requirements. Contract closeout procedures are required by State and federal acquisition regulations. In response to our review, post officials said they have implemented a written policy for advertising local contract actions. Also, the administrative officer agreed

that closeout procedures were important and said he would implement them in future contract actions.

At the time of our fieldwork, contracting and procurement reporting documents were completed and managed manually. According to Embassy officials, the post had not implemented State's automated worldwide procurement data base system due to defective software. Post officials said that the software problem was solved after we completed our fieldwork and that the system is now functioning.

Other Problems and Issues

Other management problems and issues affecting Embassy operations have included some inaccuracies in post reporting on management systems, staffing gaps in key U.S. administrative positions, limitations in formal training opportunities for foreign national employees, and weaknesses in the post's security over unclassified automated information systems.

Management Reports

Recent Embassy reports may have, in some instances, overstated the management controls over personal property, contracting, and procurement systems. For example, the Embassy's 1991 Property Management Report indicated that separation of duties was maintained for property record keeping and inventories, and our review of the procurement files indicated that documentation of competition had sometimes been omitted, even though the Embassy had reported in its risk assessment that files reflected maximum competition.

Staffing Gaps

During 1992, the deputy chief of mission position was vacant for 2 months and the administrative officer position was vacant for 5 months. Also, as previously mentioned, the post did not have the services of a budget and fiscal officer for 6 or 7 months in fiscal year 1992, which according to Embassy officials, resulted in the lack of cashier verifications during that time period. In addition, post officials said that the lack of a regional personnel officer for over 3 months delayed classification actions for State and other agency employees. Furthermore, Embassy officials believe that the number of authorized U.S. positions for personnel, budget and fiscal, information systems, and communications programs are not adequate to meet post work loads.

Training Issues

The Embassy recently developed a program that identifies training opportunities for foreign service national staff. However, Embassy officials also said that participation of foreign service nationals in formal training has often been extremely limited. Embassy officials believed that the amount of formal training received by foreign service national employees has been insufficient to prepare them to perform their duties in several areas, including personnel, real property, and personal property.

Unclassified System Security

The Embassy has not fully implemented State's controls for security of automated unclassified information systems. For example, the Embassy had not formally designated an information systems security officer to be responsible for systems security reviews.² Instead, these reviews have been conducted by a foreign service national employee. As a result of our review, the Embassy designated an information systems security officer to ensure implementation of the control standards.

Embassy Comments and Our Evaluation

Officials at the Embassy in Barbados believed that our report unfairly implied that when errors in management knowledge or practice occurred, they led to financial loss or fraud. We recognize that individual management control weaknesses often do not result in financial loss or fraud. However, each deficiency or problem area affects the integrity of the management system and if not corrected, increases the vulnerability of operations to fraud, waste, and abuse. The officials also believed the Foreign Affairs Manual and post records provide sufficient continuity of management controls as new officers rotate into the Embassy. We agree that the Foreign Affairs Manual and post records are important points of reference, but they have not provided a sufficient framework for resolving the numerous management problems that have affected overseas operations for years. Although a formal proactive management improvement program is not required by State regulation or guidance, we believe that such a program is necessary for each post to systematically sustain its current initiatives to correct management deficiencies, effectively implement State's policies and procedures, and ensure aggressive attention to management problems and issues.

²State's System Security Standard Number 3, May 1985, requires each overseas post with an unclassified automated information system to formally designate the U.S. system manager to serve as Information System Security Officer. If the post does not have a U.S. system manager, or if the manager is on leave, the responsibility of the security officer will be assigned to a U.S. officer knowledgeable in such systems.

U.S. Embassy in Grenada

The U.S. Embassy in St. George's, Grenada, has experienced management problems in recent years in personal property, cashing and other financial functions, and contracting and procurement. The Embassy has also not accurately reported or effectively improved the status of its management controls through internal control review mechanisms established by the State Department. To some extent, weaknesses in management systems may be the result of the Embassy's downsizing in 1991. Between September 1990 and September 1992, State reduced staffing levels from 8 U.S. and 29 foreign service nationals to 3 U.S. employees and 6 foreign service national full-time employees and 6 foreign national personal services contractors. Although Embassy officials questioned whether a post with such limited staffing should be compared to larger posts in evaluating the status of management controls, they were receptive to the need for strengthening management processes.

Embassy Operations

This Embassy represents U.S. foreign policy interests and provides citizens consular services. The Charge' de Affaires and the administrative officer are the key U.S. officers having management and administrative responsibilities. Foreign service national employees help manage the budget and fiscal office and the general services office. The budget and fiscal assistant is responsible for managing cashier operations, monitoring use of funds, and coordinating financial management activities. The general services assistant is responsible for day-to-day management of personal property assets and leased properties and for procurement activities. The administrative officer provides oversight to these management and administrative functions and also has responsibilities for consular, security, and communications work.

The Embassy's fiscal year 1993 budget for salaries, expenses, leased properties, and representation is about \$650,000. Inventories of nonexpendable personal property totaled about \$870,000 in fiscal year 1992. The value of the post's 1992 contracting actions was about \$124,000.

Personal Property

The Embassy has experienced problems in maintaining sufficient controls over its personal property. For example, the Embassy continued to store furniture and other personal property that exceeded the needs of the three U.S. officials at post. The warehouse contained 49 household chairs, 29 tables, 15 bookcases, 9 toasters, 6 blenders, 8 typewriters, and 4 freezers. The number of vehicles at the embassy also appeared to exceed needs. According to State's guidance, the number of vehicles that are assigned to

each post is intended to meet the basic requirements for transportation of personnel and to conduct official business. In 1991, the State Inspector General concluded that nine vehicles were excessive to the needs of the six American staff assigned at that time and recommended that the number of vehicles be reduced and continue to be reduced after further decreases in staff. However, the number of vehicles was apparently not reduced following the second reduction in staff in 1991. As a result, at the time of our review, the Embassy had six vehicles to support a staff of three U.S. employees.

The Embassy also lacked written receiving and inspection procedures for personal property, prescribed by State's Foreign Affairs Manual, to ensure that all property is inspected and received in accordance with the original procurement document. Furthermore, property officials did not document issuance, receipt, or disposal actions in expendable property records for fiscal year 1992, and according to Embassy documents, had not conducted an inventory of expendable property in 1991. Without a 1991 inventory, the Embassy was unable to reconcile records in 1992 or determine if any expendable property was missing or misreported. Embassy officials believed that the reason for past weaknesses in control over expendables could, in part, be attributed to the limited number of general services staff at the post "being consumed by the monumental task of implementing the automated nonexpendable system." Finally, the organization of the warehouse did not facilitate good property control. Expendable property was stored in various locations throughout the warehouse, many items were overstocked, a separate receiving area for incoming inventory was not established, several nonexpendable items did not have inventory numbers, and several items of property belonging to other U.S. agencies were collocated with State property. The poorly organized warehouse may have contributed to problems in accounting for property. For example, in 1992, property officials identified an overage of about \$164,000 worth of nonexpendable property that was not accounted for in previous inventory records.

Reviews of the property management system by State's Property Management Review Branch have also found problems in many of these areas. Although the results had not been transmitted to the post at the time of our report, a June 1992 review identified the need to document the results of property utilization surveys and develop standard operating procedures for receiving and inspection. It also identified excessive stocks of expendable supplies (more than 3 years supply) and the failure to keep on file inventory worksheets and spreadsheets for expendables.

The administrative officer agreed that the large overage of nonexpendable property identified in 1992 reflected past problems in record keeping, inventory procedures, and terminology problems. Embassy documents indicated that the recent implementation of State's automated nonexpendable inventory system has resolved the record keeping issue. Officials also said that the 1992 property reconciliation enabled the post to get a fresh start on expendable property and provide a solid basis for next year's inventory. The administrative officer said that the post planned additional actions to improve property controls. These include (1) documenting inventory spot checks, (2) developing written procedures for property receipt and inspection, (3) scheduling a property disposal sale, and (4) designating a receiving area for control of new property. The administrative officer believed that our comparison of the number of vehicles to the number of U.S. staff was misleading because it did not take into consideration the Embassy's employment of 12 locally hired employees. However, the administrative officer also indicated that, in the post's February 1993 annual vehicle replacement program report, State's Office of Motor Vehicles was asked to reduce the Embassy fleet.

Financial Controls

The Embassy had not fully implemented the controls prescribed by State to protect overseas cashiering operations. For example, unannounced monthly cashier verifications had been performed, but verifying officers did not use the checklist contained in State's cashier manual. The checklist addresses several cashier control and security issues, and any negative answers require corrective action or explanation. We believe the failure to perform verifications using the checklist has again made the Embassy's cashiering operations unnecessarily vulnerable to fraud and abuse. Historically, controls over cashiering operations in Grenada have had serious deficiencies. The deficiencies have included the failure to reconcile deposit slips with local bank statements before forwarding them to State's Regional Administrative Management Center in Mexico City for reconciliation. According to post officials, routine reconciliations by the post would have uncovered and may have prevented the theft of \$45,000 prior to July 1991 and the subsequent firing of the cashier for theft.

In addition, the post did not have any record of performing in-house reconciliations after the theft occurred, while awaiting reconciliation by the regional center, even though the post's 1991 annual management control certification stated that such checks were being done. The Embassy's bank statements are being reconciled by State's Regional Administrative Management Center. According to a regional center

official, account reconciliations are current, allowing for a 2-month procedural lag time. The center had been 4 years behind on account reconciliations at the time of the cashier's theft in Grenada. In view of the amount of cash missing in 1991 and the procedural lag time experienced by the regional center, we believe the lack of in-house post reconciliation has represented a control weakness.

Controls over accounts receivable and unliquidated obligations also need strengthening. For example, there was no written collection policy to ensure timely collection of bills, although the budget and fiscal assistant had implemented a system for recording accounts receivable. As a result, employees owed more than \$350 for personal phone calls. Some of the charges dated back to April 1991. In addition, although the Embassy had approximately \$86,000 in unliquidated obligations that were more than 2 years old, the post did not document its reviews of the obligations to demonstrate their continued validity. In September 1992, State's Inspector General cited several overseas posts for not documenting their reviews of unliquidated obligations.

In response to these issues, the administrative officer said that he had documented and implemented procedures to conduct unannounced monthly cash verifications using the checklist for verifying officers and to review unliquidated obligations on a monthly basis. Post procedures were also implemented to reconcile bank deposits and cashier receipts as an additional control measure to complement bank reconciliations by the Regional Administrative Management Center in Mexico City.

Contracting and Procurement

Some of the controls adopted by State to maximize competition and ensure compliance with applicable procurement laws and regulations had not been implemented by the Embassy. For example, the Embassy's contracting and procurement function lacked written procedures for advertising local contract actions and a vendor list to identify potential sources for procurements. In addition, contract closeout procedures had not been established, and copies of the Federal Acquisition Regulation and State procurement manuals were stored in the warehouse rather than in the general services office where they would be readily available for use. The general services assistant, who had not received procurement training in 6 years, could have used the manuals to ensure better procurement practices.

Some Embassy procurement files lacked adequate documentation. Neither of the files for the two active contracts for over \$25,000 contained documentation of advertisements in the Commerce Business Daily, or alternatively, statements of a waiver or exception for these procedures. One of these contracts was for guard services and with the exception of the Commerce Business Daily advertisement, documents indicated competitive practices were followed. In addition, files for procurements less than \$25,000 contained insufficient evidence of competition. For example, of the files for the eight procurements for more than \$2,500 in fiscal years 1991 and 1992, six files did not contain evidence that at least three sources were solicited as suggested by the Federal Acquisition Regulation. In response to these issues, the post administrative officer said that an administrative memorandum was prepared identifying procedures for advertising, advance acquisition planning, public notices, and other procurement actions.

Other Problems and Issues

Similar to the posts in Panama and Barbados, Embassy reports in Grenada on the status of internal controls over financial operations, property management, and contracts and procurements have contained some optimistic and inaccurate statements. For example, the 1991 certification of management controls by the Embassy indicated that the post would conduct an in-house reconciliation of bank accounts prior to forwarding them to the regional administrative management center in Mexico City. However, as already noted, we found no documentation to verify that such reconciliations were performed. In addition, contrary to Embassy responses in its 1992 internal risk assessment supporting that year's certification, we found that (1) monthly reviews of unliquidated obligations had not been documented to determine their continued validity, (2) unannounced verifications for the principal cashier were not conducted using the verifying officer's checklist, and (3) procurement files did not always reflect the extent of competition.

The Embassy also has not addressed the training needs of its foreign service national employees. For instance, the general services assistant, who has been responsible for contracting and procurement, housing, shipping, motor pool, and warehouse operations for 6 years, had not received any general services training. Furthermore, the Embassy had not designated an information systems security officer or established a system to ensure the adequacy of security for automated unclassified information systems. An evaluation of system security, which was conducted in December 1991 by State's Bureau of Diplomatic Security, concluded that

(1) administration of the post system was marginal and (2) the post should formally identify an information systems security officer as soon as possible to ensure compliance with security standards. Embassy officials said that the regional personnel officer would gather material for training of foreign national staff and that a system for conducting security reviews would be established. According to the Bureau of Administration, an information systems security officer was designated at the post subsequent to our review.

Embassy Comments and Our Evaluation

Officials at the Embassy in Grenada expressed concern that our report did not stress that management controls at that post had improved over prior years. Our report notes that several actions by current post personnel, such as the 1992 inventory of expendable personal property and recent implementation of State's automated nonexpendable property inventory system, represent improvements over past management practices.

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